

Housing for Low-income Groups in Hanoi City

A Proposal for New Urban Housing Development

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Introduction

Housing is one of the basic needs and always constitutes a prime concern of society and a vital requirement of every individual and families as well. For the past years, the Vietnamese Government has concentrated its efforts to better meet the demands on housing of citizens and to improve the living conditions of the people.

Viet Nam's population increased by 11.9 million in the decade to 1999, reaching 76.3 million in April of that year. Average annual population growth stood at 1.7 per cent. This population growth rate is considered quite high in the context of a developing country like Vietnam. According to the Construction Ministry, the area of housing in the country's urban areas has increased by 5 million sq.m per year over the past decade, which means the number of families have home has increased from 95.2 per cent in 1991 to 99.93 per cent at present. The result of a recent survey on housing conditions showed that 37.3 per cent of the houses were over 50 sq.m large, 50.3 per cent between 25 and 50 sq.m, and 12.3 per cent were very small at just 15 to 25 sq.m, of which less than 15 sq.m occupied only 2.2% (Table 1).

Table 1: Housing structure in term of area index in Vietnam

Floor area (sq.m)	Scale (%)
More than 60	24.2
49 – 59	13.1
37 – 48	24.6
25 – 36	25.7
15 – 24	10.1
Less than 15	2.2

Along with the increase in area, the quality of housing has also improved markedly. Most new housing projects in urban areas, particularly in major cities such as Hanoi, Ho Chi Minh City, have paid considerable attention to modern designs and amenities.

However, besides the achievements obtained, housing development activity recently also exposes shortcomings, which ask for better remedies. High population growth rate and rapid urbanization process make housing one of the country's most pressing issues to be solved. New housing development projects mainly served the high-income groups, while housing for low-income groups has not been yet paid with full concern.



Map Of Vietnam

Problem Definition

Hanoi City is the country’s second biggest city after Ho Chi Minh City. Like other major cities around the country, Hanoi is undergoing rapid urbanization and facing many new challenges. Although Hanoi now has about 7.5 million sq.m of housing, more than 2.7 million of which was built in the last decade, there is still a serious shortage of housing. The housing situation in Hanoi City also reflects the housing situation in urban areas of the whole country. The population growth rate and urbanization with the migration from rural to urban area have made average per capita housing floor area in Hanoi decreased from 6.5 sq.m in 1955 to 5.3 sq.m in 1994 and 5 sq.m in 1998. Especially about 30% have residing area of 3m²/person and even only 2m²/person, for more than 300.000 people in urban area. The existing housing conditions in urban areas today are under question. Housing shortage most affects the poor. It is also not unusual to have two or even three families in a single government house. The low-income households cannot afford to housing if they do not get the support from the State.

Table 2: Housing conditions

Criteria	Unit	Hanoi	Hochiminh City	Others	Total
Year 1996					
Total floors	Mill m ²	8	26	47	81
Average per capita	m ² /pers	4.7	6.3	-	5.8
Year 2000					
Total floors	Mill m ²	15.6	42.2	77.9	135.7
Average per capita	m ² /pers	6	7.2	-	6.5

There are a lot of factors causing the shortage of housing for low-income people, such as: high population growth rate and rapid urbanisation, lack of preferential policies including land-use, financing and infrastructure investment for the low-income groups’ housing development, not enough Government funding for housing development (reaches only 30 per cent of public employees), the investors and developers are profit driven with no concern for social issues, when investing in housing development projects... But the main cause is that the low-income households cannot afford to improve their housing conditions because of their low incomes.

What should be done in order to meet low-income groups’ need in term of housing development? This is a complex question. Building houses for low-income people requires a combination of capital for housing construction and a preferential policy targeting the people themselves.

Motivation for the Choice of Study

The paper attempts to make an overview of the current situation of housing development and a proposal for new urban housing development for urban low-income people in Hanoi City as an example.



Hanoi’s densely populated urban residential areas: **Room to move?**

Why Need Housing and Urban Development Now?

☞ Demand:

- ✓ Urbanisation
- ✓ Population growth and migration to urban areas
- ✓ Small housing space per capita

☞ Urban Development

- ✓ Resettlement by urban development and infrastructure projects

☞ Policy:

- ✓ End of state subsidized housing

Method of Study

This paper is a reference in the field of housing development for urban low-income people in urban areas rather than a research. Therefore, its analysis and recommendation are based on:

- Document and reports review;
- Results of a survey on housing conditions and expectation for would-be housing conducted among urban low-income groups in Hanoi City.

Background

In the past, housing development in Vietnam has been primarily a state responsibility. The Government subsidised housing by providing rental apartments with minimum standards and low rent for public servants. This subsidy was concentrated in Hanoi capital. The housing delivery was implemented based on the salary, housing condition and career. The houses are with minimum living standards with 2 -3 rooms and small kitchen, bathroom. Even some families had to share kitchen, bathroom. The living quarters were developed with poor infrastructure, only primitive roads system, because the state budget was mainly given to housing construction. In the 70s and early 80s, the Government developed most of the housing in Hanoi. In 1981, government constructed 94% of housing; by 1989, this had dropped to 38%, and the downward trend has continued. The State housing consisted mainly of walkup apartment complexes, with early units having shared bathrooms and cooking facilities. Most State housing is now dilapidated and poorly serviced because of different reasons: out of depreciation, prolonged housing subsidy policy with extremely low rent which is not enough for upgrading, maintenance etc.

The Renovation "Doi moi" Reform with the proclamation of "market-oriented socialism" implied the legalisation of private enterprises in almost economic sectors and the reduction of the State housing budget have led to a rapid shift towards private construction of housing. The recent boom in privately-built housing has greatly improved the situation for middle and upper income people.

Currently, most housing is constructed by the private sector, but there are proposals for government-built, low-income, high-rise housing. Such low-income housing projects are not a high priority in the investment plans of the city. Official policy now is to sell off and convert public housing as rapidly as possible and to encourage private house construction.

Country Level

Vietnam's drift to the cities is gathering pace, with experts predicting that up to 45 per cent of Vietnamese people could be living in urban centres within two decades. By 2020, nearly 46 million people will live in urban areas – a major shift from today's predominantly rural society.

The Government has approved a master plan for urban zoning and development aimed at turning cities into engines of regional socio-economic growth. The plan aims to tackle the range of natural, historical, demographic and social obstacles hindering the growth of Vietnamese cities. One of the key problems is the poor state of much urban economic and technical infrastructure, which is failing to keep pace with the cities' burgeoning population growth. Another problem is the inadequate attention being paid to the environment and sanitation in urban centres and their surrounds. Meanwhile, the growing gap between the rich and the poor, and the increasing incidence of urban poverty, has confounded efforts to build sustainable urban growth.

The country now boasts 650 urban centres with a combined population of 18 million and per capita land area of 115sq.m. The urban network includes four cities under central management and other 84 cities and townships under the provincial administration.

Under the new plan, urban population growth targets have been set for each stage of development: 22 million (or 28 per cent of the country's total population) by 2005, 30 million and 33 per cent by 2010, and 46 million and 45 per cent by 2020.

By 2010, the land area reserved for urban centres will reach 330,000ha or 1 per cent of the country's territory – which equates to 100sq.m per capita. In 2020, these figures will rise to 690,000ha, 2.1 per cent of total area, and 150sq.m per capita. By 2020 the projection is for six centrally-run cities, 68 provincial capitals and cities, 30 newly-built urban centres, and more than 2,000 district towns.

At present, urban centres are not evenly distributed geographically: they range from 3.19 per cent in northern midland and mountain regions to 46.09 per cent in the south-eastern part. In future, urban populations will be categorised into five national clusters of cities, 11 regional clusters, and 60 provincial clusters. It is expected that this arrangement will help modernise cities while preserving some of their traditional features.

The plan also covers urban infrastructure development, balanced distribution of wealth and industrial activity, and environmental safeguards.

Officials and experts warn that translating those plans into reality will require significant investment, a contingent of highly skilled urban planners, and a strong sense of social obligation on the part of each city dweller.

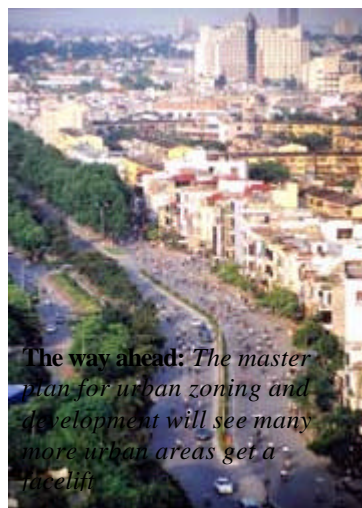


Table 3: Classification of Urban Housing

	WHOLE COUNTRY		HANOI CITY	
	1,000 m ²	%	1,000 m ²	%
Total	81,000	100	12,000	1000
By Storey				
- Low-rise	73,000	90	10,000	81
- High-rise	8,000	10	2,000	19
By Ownership				
- State-owned	24,000	30	5,000	42
- Others	57,000	70	7,000	58
By Quality				
- Good	33,000	41	4,000	33
- To be repaired	45,000	56	7,400	62
- To be rebuilt	2,500	3	600	5

City Level

Hanoi has the country's second largest fund for housing development after HCM City. But there is still an acute housing shortage for State employees and poor and low-income people. To date, more than 60 per cent of the city's houses are in need of renovation and repair, and at least 5 per cent are so dilapidated that they will have to be completely rebuilt. Around 80 per cent of the city's housing is low-rise. Many areas are crowded, polluted, unhygienic and water-logged. Hanoi's average population density is 26,000 people per sq.km, and up to 40,000 people per sq.km in the central Old Quarter.

Presently, about 20 per cent of the city's population can afford to buy houses for their families, but this minority is considered affluent by national standards. A further 10 per cent get preferential housing because of their contributions to nation-building or because they are considered among the most disadvantaged of the city's residents. The remaining 70 per cent simply cannot afford to buy private houses or flats for themselves. Most of them are State employees now living in dilapidated and old-fashioned housing blocks built and provided by the Government under the centrally-planned economy. A self-contained flat in a residential block costs an average of VND200 million (US\$13,000), out of reach for many low-income earners.

Strategies

National Strategy on Housing to 2010

- Creating access to suitable housing for low-income people.
- Efficient management of housing market.
- Creating housing in connection with sustainable development of the country.
- Housing improvement should go hand in hand with family planning.

The main contents of the National Strategy on Housing to the year 2010 aims to encourage and mobilize citizens build their house following the city plan by themselves. The housing owners are allowed to use, rent, mortgage, assign management rights and transfer ownership of houses. State-owned housing can be sold or rented following the State prices and regulations and can deduct rent from salary. Housing development agencies or companies are allowed to be profit oriented in order to collect the cost for re-operation. The housing bank should be lenient in providing capital. Responding to the Strategies, regulations for the buying and selling of state-owned housing were issued. The State mainly emphasized to sell housing to those renting them, which will be a solution to get rid of the responsibilities of maintenance and to mobilize the capital for housing development programs. This solution will also give residents the opportunity to improve their living conditions and maintain the house for themselves.

At present, the Vietnamese Government is endeavouring to achieve the target set for housing development by 2005, when per-capita housing floor space is expected to average 9 sq.m. To this end, another 60 million sq.m of housing floor space will be built in cities and townships, as the urban population is expected to climb to 22.5 million. Of this figure, 24 million sq.m will be developed through State housing projects and the rest will be built by ordinary people. Under this plan, another 5.6 million sq.m of residential housing will be built in Hanoi City. Some VND76,000 billion (US\$5.7 billion) will be invested all up, and different housing blueprints are being designed to ensure that newly-built housing meets modern standards of convenience and comfort. Due attention will be paid to building houses for public employees and low-income people, both for rent and sale. Dilapidated multi-storey housing areas in major cities will be upgraded. People living in urban slums, flood-prone rural areas and makeshift shelters along canals will be given priority in renting or buying State-funded low-income houses. State agencies are being asked to better manage the real estate market to curb speculation and market manipulation.

Reaching forward: *The new housing development projects in Hanoi City are under construction*



Hanoi Housing Development Program to 2010

➤ Objectives:

- ✓ Properly addressing the need for suitable shelter of all urban residents.
- ✓ Facilitating transfer of land use right and housing ownership.

➤ Financing:

- ✓ Domestic financial sources
- ✓ Foreign investment in housing development

HANOI HOUSING TARGET:

- ☞ Average floor area of at least 5.5 m²/person to the year 2000.
- ☞ Average floor area of at least 8.0 m²/person to the year 2010.
- ☞ Diversification of housing design, apartments suitable for all tastes convenience and affordable price, even for the poor and low-income people.

The Hanoi City's Municipality has defined Housing Development Program to 2010 based on the Master Plan of Hanoi City approved by the Government.

The city's housing programme aim is to provide houses for people in all socio-economic categories, including low-income people. To achieve this target, the Hanoi Municipality has initiated work on a housing development program, which consists of 56 major and 140 small projects, in outlying districts of the city. The Hanoi Municipality plans to build 15 million sq.m of residential accommodation which will occupy 2,000ha to help low-income earners afford a home of their own. They will then be sold off at preferential rates to low-income residents.

There are also many living quarters with hundreds of rundown apartment buildings. Some of them are dangerous for the people living in them. Renovation or re-construction of such buildings is one of the City Municipality's important tasks in the Housing Development Program.

The Hanoi Housing Investment and Development Corporation, a state-owned organisation responsible to implement the program, hopes its construction schedule will ease the burden on many low-income households in the capital city. It has already launched a pilot project on 15ha of land in Thanh Tri District's Cau Bieu, with 8ha given over to housing units spanning 300,000sq.m. The first stage, estimated to cost VND300 billion (\$20 million), will provide houses for 3,000 low-income households. The corporation has worked with authorities and ministries to procure credits and soft loans for the project. Housing



Block housing: *The apartment building of Bac Linh Dam housing development project in Hanoi City*

construction, expected to kick off by the third quarter of 2003, will be handed over to the responsible municipal body for management and sale to low-income earners. The pilot will harness the joint efforts of the State and the public. The Government will take responsibility for encouraging organisations, communities and people to take part in the project. It will zone areas for housing development and finance infrastructure development. The project needs proper and adequate investment capital, concessional loans and a reduction in land use fees to make it viable.

Actors

Related to housing development for low-income people, all sectors are stimulated to take part in the works, but due to different factors only the Government, City Municipality and state-owned developers are major actors in this field.

The Government

In Vietnam, land allocation for new housing areas is under the control of the Government. As to housing development, the Government acts as a facilitator or enabler in the production of housing by putting in place relevant policies and legislations and creates institutional framework, which will facilitate such a process and allocate enough resources for the sector in the national budget with main activities as follows:

- Assessing and approving the City's Master Plan;
- Assessing and approving large-scale projects;
- Promulgating preferential policies, degrees and regulations relevant to land use and housing development;
- Setting up priority and supporting policies for low-income housing programs.

However the institutional framework within which housing development policies are implemented is not very clear. There is complex system of central authorities to guide, support and control the housing development.

The City Municipality

The City municipality has considerable responsibilities to manage and guide human settlements because they are at the local level where main activities take place. As result of the Doi Moi (Renovation) policy and decentralization process, Hanoi City's Municipality is responsible for setting up the housing development programs, managing and implementing it through following activities:

- Assessing and approving detailed plans on the basis of approved Master Plan, including housing development plans (To take the initiative in the construction of new residential quarters and in the repair and upgrade of old ones, the City Municipality is entrusted to make both general plans and detailed projects).
- Orienting and managing housing development activities.
- Setting up priority and supporting policy for housing development within the City's territory.

- Appointing developers and providing land to implement new housing development in accordance with approved development plans of the City.
- Stimulating and co-ordinating other actors involving in housing development activities.

The Financers

The capital will largely come from the city's housing development fund, and from selling State-built houses to those who already live in them and lease them. In addition, central and local offices will be asked to stump up the capital to build houses for their workers, and the State will issue housing bonds and bills.

The city will also seek to attract foreign direct investment and official development assistance, as well as piloting a build-operate-transfer scheme.

In housing development, the bank will also play a role, investing in projects and giving mortgages to house buyers. At present, the main obstacle to this option is the lack of a bank that is willing to offer low-interest loans to low-income people on a regular basis.

Under another common variant, the Government allocates the land and puts its offices in charge of raising funds from their cadres and workers to build houses according to approved plans.

The Developers

Theoretically, all economic sectors are encouraged to participate in building houses, especially houses for low-income people. According to approved general plans and detailed projects, urban development investors are invited to select investment projects and make their own decisions in conformity with their capital capacities and current regulations. However, in reality, due to their weak ability and lack of experience in management as well as their limited funding potential, private developers are not able to invest or develop a new urban development project by themselves. They can only play the role of subcontractors in design process and construction activities for that.

In order to successfully implement housing development strategies and program setting up, the importance is encouraging all economic sectors to participate in housing development. The provision of adequate housing for low-income people requires action not only by the Government, but also by different actors, including private sector, NGOs and residents as well. The role of NGOs actor should be take into consideration.

The Buyers

The residents can buy the houses outright, pay them off in instalments basis, or rent them by the following options:

- Contacting directly with the developers to buy the houses/apartments constructed by the developers with land-use-right of the plots.
- Buying the land-use-right of the plots and build their houses by themselves in accordance with project's construction regulation defined by the developers.
- Sometimes a development company builds the houses, but future occupants can have a say in a house's design by putting

money in upfront. In this case, they play the role of capital contributors to projects.

Design

This part presents the results of a recent survey on housing conditions and expectation for housing after the year 2000 conducted among urban low-income groups in Hanoi City by the Architectural Research and Design Institute under the Ministry of Construction with sample size of 500 households.

Existing Conditions

Household size

Number of persons	Scale (%)
1 – 2	15.4
3 – 4	67.2
5 – 6	14.4
> 6	3.0

- Dwelling space:

Floor area (msp.m/pers.)	Scale (%)
Less than 4	5.0
4 – 6	26.4
6 – 8	35.0
8 – 10	13.4
More than 10	33.6

Expectation for Housing after the year 2000

Housing type and location:

Housing type	Location	Scale (%)
Multi-storey apartment building with sufficient facilities	Inner city	65
Adjacent houses with separate apartment	Outskirt area	26.2
House with garden	Suburban area	8.8

- Housing space:

Number of rooms	Scale (%)
2 – 3	86.2
> 3	13.8

- Dwelling space:

Average floor area (sq.m/pers.)	Scale (%)
Less than 8	0.6
8 – 10	15.0
11 – 14	50.2
More than 14	34.2

Selection between dwelling area and location:

Location and dwelling area	Scale (%)
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Small and high floors but near the center	68.4
Large space with garden in suburban area	31.6

Type of ownership on apartment:

Type of ownership	Scale (%)
Rental	62.2
Buy on instalment payment	20.8
Buy on total payment	17.0
Total	100

Based on these results, we can withdraw some important remarks as follows:

- Urban low-income people wish to live in apartment buildings organized into residential quarters with sufficient infrastructure and public services.
- Apartments near the center with even small space and at high floors are preferred than separate housing in suburban areas.
- Average floor area of 10-14 sq.m/pers and apartment of 2-3 rooms is suitable for low-income households. However, percentage of households wishing to have per capita floor area of more than 14 sq.m is quite high, occupied 34.2%.
- Because of their low income, most of low-income households wish to have leasehold of houses rather than buying them.

Conclusions and Recommendation

Housing development for low-income people requires a combination of not only necessary policies and capital for housing construction, but also of relevant actors' role and model of housing development. In order to meet the housing needs of low-income groups, the following issues should be paid attention in term of new urban housing development for low-income people:

Housing Development Policy:

- Housing development policies need to adapt to the market economy in order to meet increasing demand. The Government's priority should be to facilitate mobilisation of capital from various sources for developing low-income housing and upgrading state-owned houses. Incentive policies should be issued to attract housing development investors.
- Preferential policies should be issued to encourage all economic sectors in housing development for low-income groups.
- To help low-income earners buy houses, the Government should fund construction of basic infrastructure towards reducing prices that are currently out of low-income group's reach. Encouraging investments in construction of rental units would provide low income people with housing while they save money to buy their own homes.

- The Government should encourage NGOs in assisting and facilitating the production of self-build housing.

Housing Design for Low-income People:

Reducing the cost of apartments is the only way to adequately house low-income earners, who can realistically pay no more than VND90-150 million for a flat. These kinds of prices can only be set if the State lends a helping hand, offering subsidies to project developers.

Therefore, the following actions should be realised:

- The city authority should designate some urban areas for low income housing. These areas should not be too far-flung, so that locals can set up small businesses to make ends meet. New residential and resettlement quarters must be built under specific criteria. They should be required to be modern in design and synchronous in technical and social infrastructure. Residents must be provided with the necessary facilities to ensure their daily work and life.
- The apartments' design should be commensurate with what low-income people needed and could afford. The suggestion is that high-rise apartments should be about 30-50sq.m each.
- Low-income households should be able to pay off their purchase by instalment. After paying around 30 per cent of the price up front, they could then take out a mortgage with a preferential interest rate for the remainder.



Up they go: *Many housing developers will enjoy preferential treatment under the new Government policies*

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